

HOUSE BILL REPORT

ESSB 5723

As Reported by House Committee On:
Government Accountability & Oversight

Title: An act relating to enhanced raffles.

Brief Description: Authorizing enhanced raffles conducted by bona fide charitable or nonprofit organizations serving individuals with intellectual disabilities.

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators Hewitt, Conway, Brown and Kline).

Brief History:

Committee Activity:

Government Accountability & Oversight: 3/21/13 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)**

- Authorizes specified charitable and nonprofit organizations to conduct up to four enhanced raffles per year subject to approval by the Washington State Gambling Commission.
- Limits the eligibility to conduct enhanced raffles to those bona fide charitable or nonprofit organizations whose primary purpose is serving individuals with intellectual disabilities.
- Defines "enhanced raffle" as a game involving the sale of tickets bearing an individual number and in which a grand prize and smaller prizes are awarded on the basis of drawings of the tickets by the person or persons conducting the game.
- Limits the value of the grand prize to \$5 million and the cost of tickets to \$250 each.
- Requires that by December 2017 the Washington State Gambling Commission report back to the Legislature regarding any enhanced raffles conducted under the authorization of the act.

HOUSE COMMITTEE ON GOVERNMENT ACCOUNTABILITY & OVERSIGHT

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended. Signed by 9 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso, Shea and Smith.

Staff: Thamas Osborn (786-7129).

Background:

Washington's Gambling Act authorizes charitable and nonprofit organizations to conduct raffles to raise funds for the organizations' stated purposes. A raffle is an event where tickets are sold and prizes are awarded based on a random drawing. In general, only certain charitable and nonprofit organizations are permitted to offer raffles. Organizations must be organized or operated for one of the following purposes: agricultural, athletic, charitable, civic, educational, fraternal, patriotic, political, or social. Agricultural fairs, fraternal societies, religious societies, churches, and granges also qualify. There are also some circumstances under which credit unions, cities, counties, and towns, and executive branch state employees may offer raffles. The Washington State Gambling Commission (Commission) regulates raffles. The maximum price of a raffle ticket is \$100.

Some raffles require a license from the Commission and others do not:

- Unlicensed members-only raffles. An organization may hold an unlimited number of raffles that are open exclusively to members so long as the combined gross revenue does not exceed \$5,000 per calendar year.
- Licensed members-only raffles. A members-only raffle that exceeds \$5,000 in combined gross revenue is authorized provided that a license is obtained from the Commission.
- Unlicensed public raffles. An organization may hold two raffles per year that are open to the public if the combined gross revenue does not exceed \$5,000 per year, it is managed and conducted exclusively by members, the organization maintains records for one year, and it provides notice of the raffle to the local police agency at least five days in advance.
- Licensed raffles. If an organization wishes to hold a raffle that does not conform to the unlicensed raffle requirements, it must obtain a license from the Commission.

Summary of Amended Bill:

The Commission is authorized to approve two enhanced raffles per calendar year in western Washington and two in eastern Washington. Only a bona fide charitable or nonprofit organization whose primary purpose is serving individuals with intellectual disabilities is eligible to conduct an enhanced raffle. "Enhanced raffle" means a game involving the sale of tickets bearing an individual number and in which a grand prize and smaller prizes are awarded on the basis of drawings of the tickets by the person or persons conducting the game. The cost of tickets may not exceed \$250 each. In addition to a grand prize drawing, an enhanced raffle may include additional related entries and drawings for lesser prizes.

In order to be approved by the Commission, an enhanced raffle must meet the following conditions:

- The value of the grand prize may not exceed \$5 million.
- Sales of tickets must be made only in person, by mail, by fax, or by telephone.
- Where noncash prizes are offered, the sponsoring organization must be able to demonstrate that such prizes are available and that sufficient funds are held in reserve in the event the winner chooses a noncash prize.
- All enhanced raffles and associated smaller raffles must be independently audited pursuant to rules promulgated by the Commission.
- The bona fide charitable or nonprofit organization must be the primary recipient of the funds raised.
- If ticket sales are insufficient to pay for the enhanced raffle grand prize, the enhanced raffle winner must receive 50 percent of the net proceeds in excess of expenses. Also, under these circumstances the enhanced raffle winner must be given a choice of specified annuity options in lieu of the grand prize.
- The sponsoring organization must have a dedicated employee who is responsible for the oversight of enhanced raffle operations.
- An enhanced raffle must be conducted in accordance with all other requirements of the Gambling Act, other applicable laws, and the rules of the Commission.

Raffle ticket order forms may be obtained by printing them from the website of the charity or nonprofit organization sponsoring the raffle, but obtaining a raffle ticket order form in this manner does not constitute the sale of a raffle ticket.

Subject to the approval of the Commission, the sponsoring organization has the option of including the following elements and features as part of the design and management of the raffle:

- Multiple ticket discount packages may be offered.
- Multiple smaller prizes may be offered during the course of the raffle.
- Call centers managed by outside vendors may be used to conduct ticket sales. The vendor may not solicit sales.
- Receipts, including ticket confirmation numbers, may be sent to ticket purchasers either by mail or electronic mail.
- The sponsoring organization may hire a consultant to run the enhanced raffle, provided the consultant is licensed by the Commission.

The Commission has the authority to set fees for bona fide charitable or nonprofit organizations, call center vendors, and consultants conducting enhanced raffles. It is also authorized to adopt rules governing the licensing and operation of such raffles.

By December 2017, the Commission must report to the Legislature regarding the enhanced raffles authorized under this act with respect to the following:

- results of the raffles;
- revenue generated by the raffles;
- any state or federal regulatory actions taken in relation to enhanced raffles; and
- any recommendations for policy changes regarding enhanced raffles.

The act terminates as of June 30, 2016.

Amended Bill Compared to Engrossed Substitute Bill:

The House of Representatives' committee amendment makes the following changes to the Engrossed Substitute Senate Bill:

- adds a new provision authorizing the printing of raffle ticket order forms from the website of the charity or nonprofit organization sponsoring the raffle and specifies that obtaining a raffle ticket order form in this way does not constitute the sale of a raffle ticket; and
- changes the expiration date of the act from June 30, 2017, to June 30, 2016.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This Senate bill is virtually identical to House Bill 1835 which passed out of this committee earlier this year. The Washington State Gambling Commission (Commission), the Washington tribes, and the Recreational Gaming Association have worked on this bill and are in accord regarding its provisions. The bill does not allow the purchase of raffle tickets over the Internet. However, the bill does need an amendment making the following changes: (1) authorizing the printing of raffle ticket order forms from the website of the charity or nonprofit organization sponsoring the raffle, but specifying that obtaining a raffle ticket order form in this way does not constitute the sale of a raffle ticket; and (2) changing the expiration date of the act from June 30, 2017, to June 30, 2016.

(Neutral) The Commission is neutral regarding this bill, but is comfortable with the content of the proposed amendment. However, the Commission does have two concerns about the substantive content of the bill: (1) it may be in conflict with federal laws regarding the use of United States mail; and (2) the federal Indian Gaming Regulatory Act may pose legal problems.

(Opposed) None.

Persons Testifying: (In support) Denny Eliason, Special Olympics Washington.

(Neutral) Amy Hunter, Washington State Gambling Commission.

Persons Signed In To Testify But Not Testifying: None.